



January 14, 2014

The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative Peter Buckley, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

During the 2013 Legislative session, the Oregon Business Development Department (Business Oregon) approached the Joint Committee on Ways and Means with a request to eliminate or modify Key Performance Measure (KPM) #5 (*Percentage of small businesses that remain in business at least four years after receiving assistance from the Department*). A budget note was made requesting that Business Oregon provide an alternative reporting measure during the 2014 session.

Business Oregon is required to report annually to the Oregon Legislature the results of Business Survivability under KPM #5 for all businesses receiving technical assistance that results from pass through funding. When KPM #5 was introduced as a replacement performance measure for Targeted Service Providers receiving state funding, the methodology and costs associated with independently verifying the data had not been adequately considered. After implementing the new performance measure, establishing a means of calculating the survival rate and reviewing the data over the last three biennia the following issues have been identified:

1. The service providers assist a large number of service recipients that are not required to register with the Secretary of State or the Oregon Employment Department to legally operate a business (Sole Proprietors, Single Member Limited Liability Corporations, and businesses with four or fewer employees). The lack of accessible data makes the costs associated with performance validation unreasonable given the amount of pass thru funds being administered (e.g. costs in excess of \$50,000 in 2009-11 did not include the validation of Sole Props/Single Member LLCs; the amount of pass thru funding was less than \$1.5 million).

2. The current data reported does not adequately demonstrate the value of the State's investment or the returns associated with that investment.
3. It is unreasonable or unrealistic to attribute business survivability over five years exclusively to one-time technical or financial assistance when there are usually a host of other influences (economic, social, industry, and personal) that may also directly impact and influence business survivability over the same period of time.

Agency Action

Over the last three contracting periods (biennium), Business Oregon personnel have been refining the 'deliverable' data collected by the recipients of pass thru funding and assessing trends in the data between various service providers. Because the data elements vary considerably depending on the types of services being provided (e.g. government contracting assistance, business plan development, business start-up assistance, financial literacy training, capital formation, operational and process improvement, etc.) the challenge has been to identify data elements that can be affordably (or at no additional cost) and independently verified to adequately demonstrate the value and public benefit associated with existing and future pass thru funding.

As previously mentioned, determining appropriate data through the service delivery process has been a work in progress over the last three contracting periods. Through negotiations, the contractors have developed more robust data collected from their clients (entrepreneurs and small businesses). Business Oregon has identified and is ready to recommend data points that improve demonstrating the value of assistance provided.

The reporting performance measure recommendation is as follows:

Amount of federal and private leverage (funding) for technical assistance for small business realized during the contracting period.

There are data elements that have been identified which would be included in the reports. These elements include:

- Leverage
 - Amount of Federal and Private money leveraged by the Oregon's investment in these service providers that would not have been realized.
- New Clients Served

- Number of new clients receiving service during the contract period that would not have occurred without State funding
- Existing Clients Served
 - Number of clients returning to the provider for services during the contract period that would not have occurred without State funding

Action Requested

Amend KPM #5 to the following:

Amount of federal and private leverage (funding) for technical assistance for small business realized during the contracting period.

Goal: Strategically invest limited state resources to support critical technical assistance and training resources in support of Oregon's micro and small business community.

Owner: Business, Innovation & Trade Department, John Saris (503) 986-0163.

Legislation Affected

This recommendation is in response to a budget note in the 2013-15 biennia and does not affect current or proposed legislation.

Sincerely,



Tim McCabe
Director